

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 308 – HB 732**

March 9, 2009

**SUMMARY OF BILL:** Requires the Commissioner of General Services to purchase only energy-efficient passenger vehicles for the fleet of state vehicles beginning January 1, 2010. Requires the Commissioner to annually report, to the Governor and General Assembly, the number of vehicles purchased, and the amount of savings or increased expenditures necessary to maintain the fleet.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$25,200/One-Time**

**Other Fiscal Impact – Currently, there is a price differential of approximately 43 percent between the cost of a standard unleaded fuel only passenger vehicle and its hybrid counterpart. There is a price differential of approximately 14 percent between the cost of a standard unleaded fuel only passenger vehicle and its flex-fuel counterpart. The Department of General Services (DGS) could incur a significant increase in expenditures if, as part of the standard replacement schedule, all passenger vehicles are replaced with hybrid vehicles.**

Assumptions:

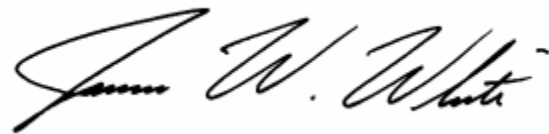
- Does not include vehicles intended for use by Tennessee Highway Patrol.
- The definition of “energy-efficient motor vehicles” includes hybrid vehicles, flex-fuel vehicles, and unleaded gasoline powered vehicles with an estimated mileage rating of 30 mpg or more. The state passenger vehicle fleet currently averages of 25 – 29 mpg.
- Current fleet consists of 1,185 vehicles (38 hybrid vehicles + 922 flex-fuel units + 225 gasoline only units). Of the current 225 gasoline units in service, 60 percent (135) are scheduled for replacement in FY10-11. Current estimated budget for the replacement of these vehicles is \$2.7 million (135 vehicles x \$20,000 average cost per vehicle). The estimated cost to replace the remaining 90 vehicles in FY11-12 would total \$1.8 million (90 vehicles x \$20,000 average cost per vehicle). According to

the DGS, when determining what type vehicle to buy, priority is given to an energy-efficient vehicle should one be available and fit within the agencies budgetary constraints.

- Under the current automobile contract procured by General Services Purchasing Division, there is only one passenger vehicle category that does not meet the energy-efficient definition. The compact sedan category does not offer a hybrid or flex-fuel alternative and has a current mpg rating of 28.
- According to the DGS, there are currently 11 compact sedans in service. Under the current automobile contract, the increase in expenditures to replace these compact sedans with an energy-efficient mid-size sedan model would be estimated at \$25,168 [11 vehicles x \$2,288 per vehicle (\$16,377 mid-size flex-fuel - \$14,089 compact)].
- According to the DGS, requiring vehicles to have a minimum 30 mpg rating could limit the pool of models that will be presented for bid and may increase the cost in an amount estimated to be not significant.
- The mpg rating of compact sedans will increase as technology develops.
- The cost of hybrid and flex-fuel vehicles will decrease as the market becomes saturated.

## **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible.

James W. White, Executive Director

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